
In the
United States Court of Appeals
FOR THE NINTH CIRCUIT

No. 22049

K-S-H PLASTICS, INC.,
a Missouri corporation,

Appellant,

vs.

CAROLITE, INC., a California corporation, and
J. W. CARROLL & SONS, a California corporation,
Appellees.

APPELLANT'S REPLY BRIEF

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**DEFENDANTS MISCONSTRUE THE LAW WITH
RESPECT TO UNFAIR COMPETITION INVOLVING
AN OVERALL PLAN TO APPROPRIATE GOODWILL**

Plaintiff's complaint for unfair competition in this case is predicated primarily upon the use of confusingly similar trade symbols by defendants and other conduct which, in totality, clearly discloses defendants' appropriation of plaintiff's goodwill. Plaintiff has relied upon two cases. *Midwest Plastics Corp. v. Protective Closure Co.*, 285 F.2d 747 (10th Cir. 1961) and *American Safety Table Co. v. Schreiber*, 269 F.2d 255 (2d Cir. 1959), which involve similar factual situations and which demonstrate that the courts will consider defendants' conduct in its

entirety and not as individual acts. Defendants do not controvert plaintiff's contention that these cases properly expound the correct rule of law. Rather, defendants seek avoidance by arguing that the present case and these cases are factually dissimilar. However, even defendants' characterization of the primary facts of these cases (Appellee's Brief, pages 26 and 27) shows that the cases are appropriate precedent for plaintiff's relief.

In both of these cases, the court did *not* enjoin the defendant from manufacturing devices identical in appearance to those manufactured by plaintiff. Rather, the court enjoined certain marketing practices of each defendant so as to preclude confusion and deceptive similarity. Moreover, the courts obligated the defendants to identify their identically appearing products with source markings so as to preclude confusion. This dual relief is precisely what plaintiff herein requests.

By contrast, several of the cases relied upon by defendants, are perfectly distinguishable on the basis of the relief requested in such suits. For example, in *Wolfe & Vine, Inc. v. Pioneer Display Fixture Co.*, 142 U.S.P.Q. 112 (N.Y. Sup.Ct. 1963) involving the sale of female mannequins, the plaintiff sought to prevent the defendant from *manufacturing* or *selling* mannequins having an identical appearance. Of course, such relief is not obtainable. *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225, 84 Sup. Ct. 784 (1964). Similarly, in *Day-Brite Lighting, Inc. v. Sandee Lighting Manufacturing Co.*, 286 F.2d 596 (7th Cir. 1960) plaintiff sought an injunction to prevent from *manufacturing* lighting panels which were identical to those sold by plaintiff. Since the mandate of the United States Supreme Court is clear that granting such prohibitive relief would violate the Supremacy Clause of the Federal Constitution, because of the conflict with the Federal Patent

Laws, such relief was correctly denied by the court in each of these cases.

The case of *Auto-Lite Co. v. P. & D. Mfg. Co.*, 78 F.2d 700 (2d Cir. 1935) is also distinguishable since the primary issue in that case was whether a manufacturer of replacement components has a right to advertise his product as adapted to "fit" the product manufactured by the plaintiff. Obviously, no such issue is presented in the present case.

In the case of *Mattel Inc. v. Goldberger Doll Mfg. Co.*, 200 F. Supp. 517 (E.D.N.Y. 1961), involving a preliminary injunction, the injunction was denied *after* defendant agreed to change one of its trademarks and to alter the appearance of the trade dress of its product. The case of *Fram Corporation v. Boyd*, 230 F.2d 931 (5th Cir. 1956) is similar. In that case, defendant used an entirely dissimilar trademark and agreed after the suit commenced to change the appearance on the cartons in which its product was sold. While it is true that the parties used similar alphanumeric symbols, there is little discussion of this aspect of the case, since the court concluded that such symbols were used *only* "to designate size or capacity".

Since filing its complaint, plaintiff has asserted that it seeks affirmative relief only with respect to defendants' fraudulent marketing practices and has denied that it seeks to enjoin defendants from manufacturing or selling lighting panels identical in appearance to those of plaintiff. Defendants' copying of plaintiff's product appearance has been involved in this case only because: (1) it bears upon the question of likelihood of confusion, and thus upon the ultimate issue of unfair competition, since trademarks are more likely to cause confusion where the products on which they are used are indistinguishable in appearance; and (2) it is through the substantial identity

of appearance that defendants have enabled fixture manufacturers to palm off defendants' lighting panels as those of plaintiff. This issue, of course, involves plaintiff's second cause of action for aiding and abetting dealers in palming off defendants' products as those of plaintiff where plaintiff's product is requested.

The issue is important with respect to plaintiff's cause of action based upon unfair competition involving a predatory plan to appropriate plaintiff's goodwill by adopting similar trademarks, trade catalogs, and selling panels identical in appearance. This latter factor increases potential confusion and yet it is noted that the defendants conveniently ignored this factor in their brief. We submit that this conduct is an integral part of the marketing environment in which plaintiff and defendants compete and must be considered together with defendants' other conduct. The aggravation is particularly poignant in view of the fact that not one but four of plaintiff's lighting panels were copied by defendants.

As set forth in Appellant's Opening Brief, pages 17-18, the fact that copying has now become a constitutional right makes it incumbent upon one who exercises such right to adopt marketing practices which will minimize the confusion which may be caused by such conduct.

We submit that the cases of *Midwest Plastics Corp v. Protective Closure Co.*, *supra*, and *American Safety Table Co. v. Schreiber*, *supra*, correctly set forth the applicable law and clearly demand relief for plaintiff in the case at bar. These cases recognized the crucial distinction in equitable relief between enjoining copying *per se* and proscribing unfair marketing. This court, in another context, has also anticipated the *Sears* and *Compco* Rule by prohibiting unfair competition while allowing copying. *Ross-*

Whitney Corp. v. Smith, Kline & French Lab., 207 F.2d 190 (9th Cir. 1953) plaintiff seeks to prevent confusion and preserve its goodwill. This may be done by a properly framed decree.

**DEFENDANTS' PROLIX RECITATION OF DETAILED
FACTS DO NOT SUPPORT THE INFERENCES
DRAWN AND ONLY INDICATE THE ERROR
OF THE LOWER COURT**

Defendants have indulged at length in presenting a detailed and vapid account of the facts in this case. In some instances, defendants have drawn their desired inferences from unsupporting facts. In other instances, the desired inferences could be found only by distorting or ignoring the facts.

The latter treatment arose, for example, in defendants' attempt to deny that they advertised products which were not available for sale in order to stimulate plaintiff's business. Plaintiff has charged and proved that it introduced, at least as early as December 1964, lighting panels having a Tedlar coating to improve the discoloration quality. (R. 1172-73) Shortly thereafter, in February 1965, Carolite began to advertise that Tedlar coated panels were "immediately available". (Plf. Ex. 102) It was unequivocally established at the trial that Carolite had not received any *commercial quantities* of Tedlar film until May, 1965. (R. 461-62) During pre-trial discovery proceedings, Mr. Welten, president of Carolite stated that defendants had not advertised lighting panels having a Tedlar coating until July, 1965 and produced an advertisement in the July issue of a magazine. (Plf. Ex. 101)

In Appellee's Brief, pages 51 through 52, defendants do not controvert the established fact that they had no commercial quantities of Tedlar enabling them to provide

Tedlar-coated panels until May 1965. Instead, defendants have attempted to shift the focus upon this issue from false advertising to one of priority in commencing development work on the Tedlar-bonding technique. Of course, this is totally irrelevant, and plaintiff did not offer nor would the court accept evidence on this issue with respect to development work. Plaintiff has not suggested that defendants were never able to provide panels of this type nor that defendants did not have some Tedlar material in small quantities for development work at the time they first began advertising. What was contended and proved was that defendants advertised the "immediate availability" of Tedlar-coated panels at a time three to four months earlier than commercial quantities of Tedlar were received by defendants. It is common technical knowledge, applicable to the lighting panel industry, that processes which are successfully applied to the production of prototypes are adapted to mass production only with considerable difficulty. Thus, defendants' development work is not probative on the issue of availability of Tedlar-coated panels at the time defendants began advertising and the sole support for defendants' contention of availability is the uncorroborated statement of Carolite's president. Defendants' discussion of the development work conducted by defendants tends only to obscure the issue and does not support the inference drawn therefrom, i.e., that defendants were not indulging in false advertising as a part of an overall scheme to misappropriate plaintiff's goodwill.

Defendants' brief is pervaded with untenable inferences from the facts and numerous distortions. For example, defendants state (Appellee's Brief, page 3) that there are "virtually hundreds of thousands of such alphanumeric catalog numbers employed by" various manufacturers. Such hyperbolic statements are unsupported by the record

ferences cited. And *if* such was the case, plaintiff can only inquire: Why did defendants choose out of these hundreds of thousands of alphanumeric symbols, four grade symbols which are almost identical to those previously used by plaintiff?

Defendants state (Appellee's Brief, page 8) that the catalog which is used by defendants has information with respect to its various panels "arranged in numerical order", namely, "C-4, C-55, C-11 and C-12". This is simply bad arithmetic. Plaintiff's catalog is arranged with the information sheets with respect to its various panels in numerical order and also in the chronological order in which these panels were introduced on the market. (Plf. Ex. 4; Finding of Fact No. 13, Vol. II, R. 41) Defendants' catalog, on the other hand, includes an order of information sheets on its various patterns which reflects neither chronological nor numerical order. (Plf. Ex. 73) Defendants' arrangement of their catalog, including the other similarities pointed out in Appellant's Opening Brief at pages 4-25, was for the obvious motive of creating a similarity of the catalogs which would aggravate confusion.

The Findings of Fact and Conclusions of Law in this case were prepared by defendants and entered by the court without a single alteration. In plaintiff's main brief at pages 20 and 21, in the co-pending case (Appeal No. 2049 A), it was pointed out that the record demonstrates that plaintiff was denied relief because of the trial courts' erroneous view of the law. The lower court predicated its decision on the incorrect theory that a party cannot, under any circumstances, acquire protectible rights in alphanumeric symbols. Defendants tacitly recognize this error and have attempted to innundate this court with superfluous facts to support their findings and conclusions hitherto unreviewed. However, most of such facts are

collateral and those chosen by defendants comprise only an extended apology, based upon specious inferences, for numerous acts of wrongful conduct. The primary facts demonstrating defendants' sedulous endeavors to confuse deceive and intercept plaintiff's customers and potential purchasers are set forth in plaintiff's opening brief. There is no reason to lend dignity to defendants' ill-founded factual inferences by exposing their lack of reason *seriatim*. The above several examples of rebuttal are submitted as indicative of the lack of merit of defendants' contentions. And the clear intent of defendants' conduct is discussed and shown in plaintiff's main brief. Transcending defendants' captious and cavilling arguments and excuses stands the irrebutable ultimate fact of *fraudulent marketing practices*.

**THE LOWER COURT FAILED TO PROVIDE
PLAINTIFF WITH THE COSTS OF THIS
ACTION TO WHICH PLAINTIFF WAS ENTITLED**

Plaintiff succeeded in its cause of action against defendants in the lower court for aiding and abetting palming off where panels were ordered from fixture manufacturers by use of plaintiff's registered trademark "K-S-H" and an appropriate injunction was granted. (Vol. II, R. 48-49) During the trial of the action, the court indicated that if plaintiff was successful on at least a portion of its complaint, it would be entitled to costs in this action. (Vol. VIII, R. 667-668; Vol. X, R. 1186-1187) Plaintiff duly submitted a proper Bill of Costs which was objected to by defendants. The court, in clear contravention of its previous statement at trial, sustained defendants' objections and awarded plaintiff only nominal costs.

Regardless of the disposition of this case by the Court, we submit that plaintiff is entitled to its full costs in this action.

C O N C L U S I O N

For the foregoing reasons and for the reasons set forth in Appellant's Opening Brief, the relief prayed for in the conclusion of such brief should be granted.

Respectfully submitted,

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